

# Letter from the President and CEO

Santee Cooper takes seriously our longstanding commitment to environmental stewardship. We were the first utility in South Carolina to deliver Green Power to customers. We are pursuing an aggressive energy-efficiency program with a goal of annual energy savings by 2020 that would power close to 15,000 homes.



It goes without saying that we comply with federal, state and local environmental regulations. We monitor and participate in discussions about the regulatory process, looking to represent our customers' best interests, and we upgrade equipment and practices ahead of mandates when it is the right thing to do.

We've been forthcoming about the costs of renewable energy, and again, our customers are voluntarily supporting Santee Cooper Green Power through monthly purchases. It's time customers also understand the mandated costs of environmental controls and regulations that they must pay.

Since the 1970s, Santee Cooper has invested \$1.3 billion for environmental costs. Cross Unit 4 is our newest base load generating unit. It cost us \$640 million to build, and \$218 million, or more than a third, went for environmental control equipment.

Looking to 2013, Santee Cooper has budgeted \$227 million to meet expected environmental costs, a figure that includes debt service for the major equipment purchases referenced at Cross 4 and other facilities.

These necessary environmental costs account for a full 11 percent of our customers' bills. Fuel to run the generating units is 51 percent of the bill.

We can debate another day the merits of new regulations enacted or under consideration, such as an expensive air- emissions rule that will require us to spend hundreds of millions of dollars for an almost-negligible improvement over what we're already controlling in emissions. Those expenses, unfortunately, will be in addition to what I've discussed above.

Customers deserve to know how their dollars are spent, and I'm pleased to add this function to our bills. Knowledge is power, after all. Santee Cooper continues to be frugal with costs we can control, and we will continue to inform customers about external pressures that we must pass on to them.

*Lonnie A. Carter*



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## For the Benefit of All

Quarterly Financial Report  
for period ended September 30, 2012



# Executive Summary

## Third Quarter 2012 Compared to 2011

The financial results for the third quarter of 2012 showed a decrease of \$8 million compared to the same period last year.

Operating Revenue decreased less than \$1 million when compared to the same period in 2011. The weather was milder this quarter, which was reflected in the degree days being seven (7) percent lower than last year. Energy sales (MWh) were slightly lower in all customer classes with a three (3) percent net decrease overall.

Operation Expense for the third quarter of 2012 was up slightly (less than \$1 million) compared with last year. Reductions in Generation, Transmission and Distribution were offset with an increase in A&G expense due to timing of accruals between the two years.

Other Income decreased slightly when compared to the third quarter of last year due to lower interest rates on investments. The Fair Value of Investments increased \$400,000 compared with 2011.

Interest Charges were up by \$1 million compared to last year due to the impact of the 2012 bond issues.

There was a \$5 million change in Costs to be Recovered from Future Revenue expense which was driven by the 2011 and 2012 bond activity.

Overall, Reinvested Earnings for the third quarter showed a decrease when compared to the same period last year as a result of these factors.

## Key Statistical Highlights

	<i><b>This Year</b></i>	<i><b>Last Year</b></i>
	<i><b>Current Quarter</b></i>	
Total MWh Sales	7,660,327	7,899,134
Number of Degree Days	1,245	1,346
	<i><b>For Month Ended September</b></i>	
Distribution Reliability % (YTD)	99.9968	99.9978
Number of Retail Customers	166,509	164,928

## Quarterly Statement of Reinvested Earnings

Millions of Dollars (Unaudited)

	<i><b>Current Quarter</b></i>		<i><b>12 Months to Date</b></i>	
	<i><b>Jul 1 - Sep 30</b></i>		<i><b>Oct 1 - Sep 30</b></i>	
	<i><b>This Year</b></i>	<i><b>Last Year</b></i>	<i><b>This Year</b></i>	<i><b>Last Year</b></i>
Operating Revenue	\$555.4	\$556.2	\$1,848.8	\$1,932.6
O&M Expense	380.6	379.9	1,320.9	1,389.4
Depreciation & Sums in Lieu of Taxes	48.2	47.7	191.6	189.4
Operating Expense	428.8	427.6	1,512.5	1,578.8
Operating Income	\$126.6	\$128.6	\$336.3	\$353.8
Add:				
Other Income	2.8	3.2	12.9	10.3
Net Increase (Decrease) in Fair Value of Investments	(0.5)	(0.9)	(3.4)	(3.0)
Subtract:				
Interest Charges	57.1	56.0	221.9	229.6
Costs To Be Recovered From Future Revenue	(0.6)	(5.6)	(5.2)	7.3
Reinvested Earnings	\$72.4	\$80.5	\$129.1	\$124.2

## Balance Sheet

As of September 2012 and 2011

Millions of Dollars (Unaudited)

<i><b>Assets</b></i>	<i><b>This Year</b></i>	<i><b>Last Year</b></i>
Utility Plant - Net	\$5,406.5	\$5,072.5
Long Lived Assets - ARO - Net	(13.6)	(13.9)
Investment in Associated Co.	9.2	9.4
Restricted Funds	813.0	694.3
General Improvement Funds	4.4	4.6
Cash & Securities	331.9	313.1
Other Current Assets	1,252.2	1,193.2
Costs To Be Recovered From Future Revenue	209.5	204.3
Regulatory Asset	177.9	171.9
Other Deferred Debits	462.1	419.7
Total Assets	\$8,653.1	\$8,069.1
<i><b>Liabilities</b></i>		
Long Term Debt - Net	\$5,293.3	\$4,995.2
Short Term Debt	637.3	439.0
Other Current Liabilities	272.4	293.6
ARO Liability	359.3	343.7
Other Liabilities	98.4	114.7
Accumulated Reinvested Earnings and Capital Contributions	1,992.4	1,882.9
Total Liabilities and Capital	\$8,653.1	\$8,069.1

# Quarterly Headlines

## Board approves rate adjustment

At their September meeting, the Santee Cooper Board of Directors authorized a two-year rate adjustment that will increase rates for customers an average of 3.5 percent each year for two years.

The first adjustment will take effect with bills rendered on Dec. 1, 2012, and the second on Dec. 1, 2013. The adjustments will help Santee Cooper meet increased costs associated with new generation — primarily the ongoing expansion of the V.C. Summer Nuclear Station — and to comply with new environmental regulations.

Santee Cooper’s base electric rates have not increased since November 2009.

“In considering this rate adjustment, the board reviewed an independent rate analysis, management’s proposal, and the comments and input we received from the public,” said Santee Cooper Chairman O.L. Thompson. “I know that times remain tough for many of our customers. The fact is Santee Cooper has already cut or deferred \$1.8 billion in capital expenses and approved other cost-saving measures the past two years. We are now at a point where we must increase revenues to ensure we can fulfill our statutory requirements to recover our costs, meet new environmental regulations and build generation that is important to South Carolina’s future.”

The rate adjustment affects residential, commercial, industrial, municipal and lighting customers. More specific information can be found at [www.santecooper.com/rates](http://www.santecooper.com/rates).

## Santee Cooper approves economic development loan to Newberry County

In August, the Santee Cooper Board of Directors approved a \$2 million loan to Newberry County for the construction of an industrial shell building that will help the county recruit new industry and create new jobs.

The loan enables Newberry County to build a 50,000-100,000 square foot shell building in Mid-Carolina Commerce Park, which the county owns. The park is served by Newberry Electric Cooperative.